

**THE CORPORATE GOVERNANCE COMMITTEE
OF THE
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

MINUTES OF MEETING

March 12, 2019

The Corporate Governance Committee met on Tuesday, March 12, 2019. The meeting was held in the Board Room on the 16th floor of the State Retirement Agency, 120 E. Baltimore Street, Baltimore, MD 21202 and via conference call.

Members Attending:	David Brinkley (via phone)	Charles Johnson (via phone)
	Sheila Hill, Chairman (via phone)	Nancy K. Kopp (via phone)

Also Attending:	Robert Burd	Dean Kenderdine
	Rachel Cohen (OAG)	Toni Voglino
	Alex Harisiadis (OAG)	

Ms. Hill called the meeting to order at 2:10 p.m.

Minutes

Ms. Voglino informed the Committee that the open and closed session minutes from the November 7, 2018 Corporate Governance Committee meeting have been approved and ratified by the Committee through an electronic vote on December 6, 2018.

Update and Review of Iran-Sudan Divestment

The Committee considered staff's recommendation to approve the proposed Iran and Sudan Restricted List. Ms. Voglino informed the Committee that three companies are recommended for removal from the Iran Sudan Restricted List. Two of the three companies recommended for removal are Shanghai Electric Group and Shanghai Electric Newage, a subsidiary of Shanghai Electric Group. The companies originally were restricted due to their power production activities in Sudan. However, the company no longer has these activities in Sudan and therefore no longer meets the divestment requirements of the Maryland statute.

The third company recommended for removal from the restricted list is Daelim Industrial. Daelim was originally added to the restricted list due to their oil related activities in Iran. However, the company has ceased oil operations in Iran and no longer meets the divestment requirements of the Maryland statute.

Ms. Voglino explained to the Committee that the divestment analysis, performed by the System's general investment consultant Meketa, detailed that divestment has minimal impact on the portfolio. Specifically, the estimated impact on equity investments is a -1 to 0 basis point impact and a +1 basis point impact for the bond securities.

Ms. Kopp asked if the Committee should clarify that although the System no longer restricts investment in these companies, that lack of restriction is not a recommendation to purchase the securities. Ms. Voglino explained the methodology of the divestment analysis performed by Meketa and what the results of the estimated impact for equity and bond securities mean. Ms. Voglino further explained, regardless of the performance of these companies in the index, the external investment managers would be making the decision regarding any investment in particular companies. Mr. Johnson made a statement that if a company is no longer on the restricted list, the decision to invest is up to the investment manager. Mr. Johnson made a motion to accept staff's recommendation and remove the three companies from the Iran and Sudan Restricted List. After discussion, Mr. Johnson amended the motion to accept staff's recommendation with the following amendments. "Staff recommends the Corporate Governance Committee approve the Recommended Iran and Sudan Restricted List as noted in Attachment 1, and makes note that the decision to remove or add a company to the restricted list is not an investment recommendation. The restricted list will be provided to the Board of Trustees for approval at the March 19, 2019 meeting." The motion was seconded by Ms. Kopp and the Committee unanimously agreed on the motion. Below is the Iran and Sudan Restricted List.

<u>Iran and Sudan Restricted List</u>		
<u>March 12, 2018</u>		
<u>ISSUER NAME</u>	<u>Country</u>	<u>Sudan or Iran</u>
<u>Anton Oilfield Services</u>	<u>China</u>	<u>Sudan</u>
<u>AviChina Industry & Technology Company Limited</u>	<u>China</u>	<u>Sudan</u>
<u>Bharat Heavy Electricals Limited</u>	<u>India</u>	<u>Sudan</u>
<u>China National Petroleum Corporation (PetroChina Co)</u>	<u>China</u>	<u>Both</u>
<u>CNOOC Curtis Funding NO.1 PTY LTD</u>	<u>Australia</u>	<u>Iran</u>
<u>El Sewedy Electric Co. SAE</u>	<u>Egypt</u>	<u>Sudan</u>
<u>Energy House Holding Company</u>	<u>Kuwait</u>	<u>Sudan</u>
<u>Harbin Power Equipment Co., Ltd</u>	<u>China</u>	<u>Sudan</u>
<u>Jiangxi Hongdu Aviation Industry Co., Ltd.</u>	<u>China</u>	<u>Sudan</u>
<u>Kuwait Finance House K.S.C.</u>	<u>Kuwait</u>	<u>Sudan</u>
<u>LS Industrial Systems Co., Ltd</u>	<u>Korea</u>	<u>Sudan</u>
<u>Managem S.A.</u>	<u>Morocco</u>	<u>Sudan</u>
<u>Oil and Natural Gas Corporation Limited</u>	<u>India</u>	<u>Sudan</u>
<u>OIL India International PTE. LTD.</u>	<u>Singapore</u>	<u>Sudan</u>

<u>Oil India Ltd.</u>	<u>India</u>	<u>Sudan</u>
<u>ONGC Videsh Limited</u>	<u>India</u>	<u>Sudan</u>
<u>ONGC Videsh Vankorneft PTE. LTD.</u>	<u>Singapore</u>	<u>Sudan</u>
<u>Orca Gold Inc.</u>	<u>Canada</u>	<u>Sudan</u>
<u>Petroliaam Nasional Berhad (Petronas)</u>	<u>Malaysia</u>	<u>Sudan</u>
<u>Petronas Capital Limited</u>	<u>Malaysia</u>	<u>Sudan</u>
<u>Petronas Global Sukuk Ltd</u>	<u>Malaysia</u>	<u>Sudan</u>
<u>Schneider Electric S.A.</u>	<u>France</u>	<u>Sudan</u>
<u>Siemens Aktiengesellschaft</u>	<u>Germany</u>	<u>Sudan</u>
<u>Siemens Financieringsmaatschappij N.V.</u>	<u>Netherlands</u>	<u>Sudan</u>
<u>Sinopec Group Overseas Development (2012) Limited</u>	<u>British Virgin Islands</u>	<u>Both</u>
<u>Sinopec Group Overseas Development (2013) Limited</u>	<u>British Virgin Islands</u>	<u>Both</u>
<u>Sinopec Group Overseas Development (2014) Limited</u>	<u>British Virgin Islands</u>	<u>Both</u>
<u>Sinopec Group Overseas Development (2016) Limited</u>	<u>British Virgin Islands</u>	<u>Both</u>
<u>Total</u>		<u>28</u>

Motion by the Committee to Meet in Closed Session

On a motion by Mr. Johnson and seconded by Ms. Hill, the Corporate Governance Committee voted to meet in a Closed Session beginning at 2:30 p.m., for the purposes of receiving recommendations regarding potential providers of proxy voting and divestment services, pursuant to: General Provisions Art., Section 3-305 (b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., Section 4-335 preventing the disclosure of trade secrets and confidential commercial or financial information; and General Provisions Art., Section 3-305(b)(14), to discuss, before a contract is awarded, a matter directly related to a negotiating strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process.

Closed Session

Members Attending:	David Brinkley (via phone)	Charles Johnson (via phone)
	Sheila Hill, Chairman (via phone)	Nancy K. Kopp (via phone)

Also Attending:	Robert Burd	Dean Kenderdine
	Rachel Cohen (OAG)	Toni Voglino
	Alex Harisiadis (OAG)	

Closed Session Adjournment

On a motion made by Mr. Johnson and seconded by Ms. Hill, the Committee returned to open session at 2:40 p.m.

The Committee reported that during the closed session, the Committee reviewed and approved the recommendation of the evaluation committee regarding the RFP for corporate governance research, proxy voting, and divestment services, for recommendation to the Chief Investment Officer.

Adjournment

There being no further business before the Committee, on a motion made by Ms. Kopp and seconded by Ms. Hill, the meeting adjourned 2:40 p.m.

Toni Voglino